

**HINCKLEY TOWN, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2005**

TOWN OF HINCKLEY, UTAH

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2005

	<u>Starting on Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Activities	12
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Budgetary Comparison Schedule	18
PROPRIETARY FUNDS	
Statement of Net Assets	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	21
NOTES TO THE FINANCIAL STATEMENTS	23
STATE LEGAL COMPLIANCE REPORT	
INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	34
GOVERNMENT AUDITING STANDARDS REPORT	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	36

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

November 4, 2005

Honorable Mayor
Members of the Town Council
Hinckley Town, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund which collectively comprise the basic financial statements, of Hinckley Town, Utah (Town) as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and each major fund of the Town at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 4, 2005 on my consideration of Hinckley Town, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Hinckley Town, we offer readers of Hinckley Town's financial statements this narrative overview and analysis of the financial activities of Hinckley Town for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Hinckley Town decreased by \$3,503 (0.19%) to \$1,910,531. The governmental net assets increased by \$7,535 and the business-type net assets decreased by \$11,038.
- The total net assets of \$1,910,531 are made up of \$1,438,980 in capital assets net of related debt and \$471,551 in other net assets.
- The General Fund (the primary operating fund) had an increase in its fund balance of \$41,939.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Hinckley Town's basic financial statements. Hinckley Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Hinckley Town's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Hinckley Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Hinckley Town is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- *The statement of activities* presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Hinckley Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hinckley Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- **Proprietary funds** - Hinckley Town maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Hinckley Town uses enterprise funds to account for its Water, Sewer, and Solid Waste Utilities. As determined by generally accepted accounting principles, the Water and Sewer enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as non-major and are included in the combining statements within this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Hinckley Town, assets exceed liabilities by \$1,910,531.

By far the largest portion of Hinckley Town's net assets (75.3%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

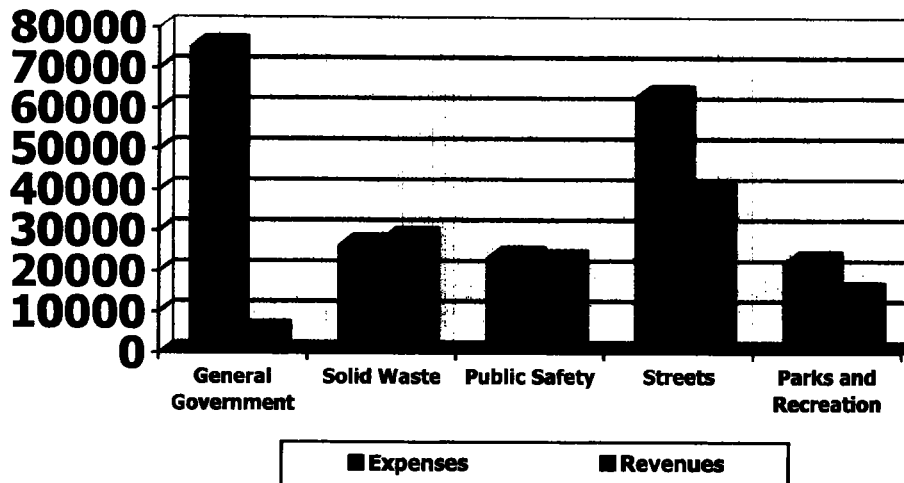
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2003-2004</u>
Current and Other Assets	\$ 152,268	\$ 136,134	\$ 264,464	\$ 221,915
Capital Assets	570,986	580,377	949,394	989,837
Total Assets	723,254	716,511	1,213,858	1,211,752
Current Liabilities	11,172	10,722	14,383	1,239
Noncurrent Liabilities	1,026	2,268	-	-
Total Liabilities	12,198	12,990	14,383	1,239
Net Assets				
Invested in Capital Assets	489,586	524,340	949,394	989,837
Net of Related Debt				
Restricted	56,235	-	-	-
Unrestricted	165,235	179,181	250,081	220,676
Total Net Assets	\$ 711,056	\$ 703,521	\$ 1,199,475	\$ 1,210,513

CHANGES IN NET ASSETS

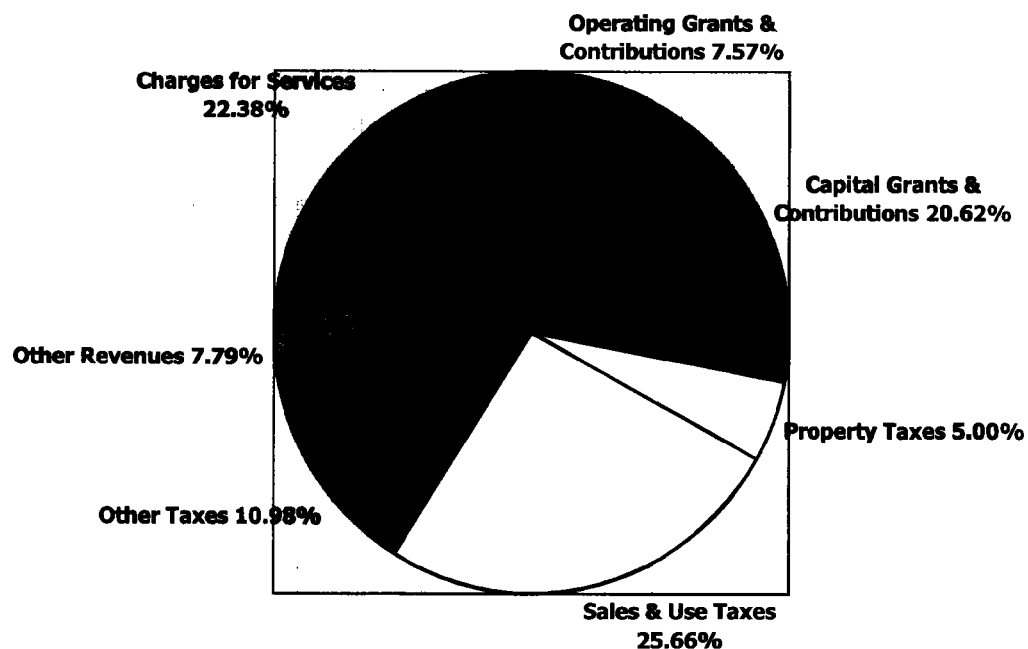
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2003-2004</u>
Revenues				
Program Revenues:				
Charges for				
Services	\$ 48,757	\$ 40,085	\$ 118,679	\$ 118,422
Operating Grants and	16,495	16,716	-	-
Contributions				
Capital Grants and	44,929	65,414	-	-
Contributions				-
General Revenues:				
Property Taxes	10,902	10,976	-	-
Sales & Use	55,915	51,383	-	-
Taxes				
Vehicle Taxes	3,848	6,519	-	-
Franchise Taxes	18,604	15,542	-	-
Other Taxes	1,470	1,860	-	-
Other Revenues	16,977	9,310	4,468	(4,581)
Total				
Revenues	<u>217,897</u>	<u>217,805</u>	<u>123,147</u>	<u>113,841</u>
Expenses				
General	75,231	62,202	-	-
Government				
Solid Waste	26,404	26,456	-	-
Public Safety	23,341	31,876	-	-
Streets	63,097	50,185	-	-
Parks and	22,289	13,623	-	-
Recreation				
Water	-	-	72,382	62,275
Sewer	-	-	61,803	48,430
Total				
Expenses	<u>210,362</u>	<u>184,342</u>	<u>134,185</u>	<u>110,705</u>
Change in Net	7,535	33,463	(11,038)	3,136
Assets				
Net Assets	703,521	670,058	1,210,513	643,938
Beginning				
Prior Period	-	-	-	563,439
Adjustments				
Net Assets				
Ending	<u>\$ 711,056</u>	<u>\$ 703,521</u>	<u>\$ 1,199,475</u>	<u>\$ 1,210,513</u>

The following graphs display the government-wide activities for governmental activities reflected in the above tables. Program Revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and use taxes, etc. are not included.

Expenses & Program Revenues - Governmental Activities

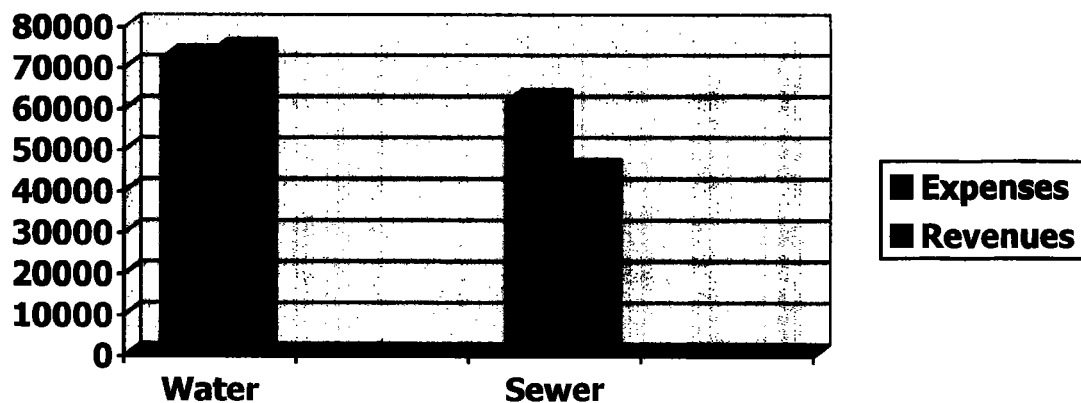


Revenues by Source - Governmental Activities



The following graph displays the business-type activities for fiscal year 2005. Program revenues are fees charged for water and sewer services.

Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As of the June 30, 2005, the Town's governmental fund (General) reported fund equity of \$211,693. This represents an increase of \$41,939 over last year's ending balances. The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds, either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

As stated earlier, the Town maintains two enterprise funds to account for the business-type activities of the Town. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget expenditure total was \$262,911 which was an increase of \$17,193 from last years budgeted expenditures. This increase was due to an increase of planned Road Projects in the amount of \$8,808 along with an increase in the Fire Department budget of \$8,006 dollars which was due to expected grant awards.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Hinckley Town's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$1,438,980 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Maintenance and rebuilding of existing streets with the town, \$23,000
- The Purchase of new Equipment \$9,136

HINCKLEY TOWN'S CAPITAL ASSETS (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2003-2004</u>
Capital Assets Not Being Depreciated				
Land	\$ 174,000	\$ 174,000	\$ 206,000	\$ 206,000
Capital Assets Being Depreciated				
Buildings and Structures	57,796	57,190	-	-
Improvements & Infrastructure	763,069	740,969	1,854,258	1,852,994
Machinery & Equipment	287,792	281,565	46,438	43,529
Total	<u>1,282,657</u>	<u>1,253,724</u>	<u>2,106,696</u>	<u>2,102,523</u>
Less Accumulated Depreciation	<u>(793,071)</u>	<u>(729,384)</u>	<u>(1,157,302)</u>	<u>(1,112,686)</u>
Total Capital Assets	<u>\$ 489,586</u>	<u>\$ 524,340</u>	<u>\$ 949,394</u>	<u>\$ 989,837</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Millard County (of which Hinckley Town is a part) was 5.7% compared with a state unemployment rate of 4.6% and a national rate of 5.0%.
- The General Fund budget for the fiscal year-ending June 30, 2006 effects an increase of 12.5% over the final budget for the fiscal year-ended June 30, 2005. The largest part of this increase is made of Road projects scheduled for 2006, Operational and Maintenance cost increases, and an increase for scheduled grant monies to be obtained by the Fire Department for the upgrade of equipment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Hinckley Town's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Denise Johnson
Clerk/Recorder
161 E 300 N
PO BOX 138
Hinckley, UT 84635

-OR-

Michael Palmer
Treasurer
161 E 300 N
PO BOX 138
Hinckley, UT 84635

BASIC FINANCIAL STATEMENTS

TOWN OF HINCKLEY, UTAH

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 123,997	\$ 248,338	\$ 372,335
Accounts Receivable	28,146	16,126	44,272
Water Shares	125	-	125
TOTAL CURRENT ASSETS	152,268	264,464	416,732
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	81,400	-	81,400
Capital Assets			
Non Depreciable	174,000	206,000	380,000
Depreciable Assets (net of Depreciation)	315,586	743,394	1,058,980
TOTAL NONCURRENT ASSETS	570,986	949,394	1,520,380
TOTAL ASSETS	723,254	1,213,858	1,937,112
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	11,172	14,383	25,555
TOTAL CURRENT LIABILITIES	11,172	14,383	25,555
NONCURRENT LIABILITIES			
Due Within One Year	890	-	890
Due in more than One Year	136	-	136
TOTAL NONCURRENT LIABILITIES	1,026	-	1,026
TOTAL LIABILITIES	12,198	14,383	26,581
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	489,586	949,394	1,438,980
Restricted for Capital Projects	56,235	-	56,235
Unrestricted	165,235	250,081	415,316
TOTAL NET ASSETS	\$ 711,056	\$ 1,199,475	\$ 1,910,531

See the accompanying notes to the financial statements

TOWN OF HINCKLEY, UTAH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 75,231	\$ 5,016	\$ -	\$ -
Solid Waste	26,404	27,979	-	-
Public Safety	23,341	1,068	16,495	5,000
Streets	63,097	-	-	39,929
Parks and Recreation	22,289	14,694	-	-
Total Governmental Activities	210,362	48,757	16,495	44,929
Business-type Activities				
Water	72,382	73,933	-	-
Sewer	61,803	44,746	-	-
Total Business-type Activities	134,185	118,679	-	-
TOTAL PRIMARY GOVERNMENT	\$ 344,547	\$ 167,436	\$ 16,495	\$ 44,929

General Revenues

Property Taxes

Vehicle Taxes

Sales Taxes

Franchise Taxes

Other Taxes

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (70,215)	-	\$ (70,215)
1,575	-	1,575
(778)	-	(778)
(23,168)	-	(23,168)
<u>(7,595)</u>	<u>-</u>	<u>(7,595)</u>
<u>(100,181)</u>	<u>-</u>	<u>(100,181)</u>
-	1,551	1,551
<u>-</u>	<u>(17,057)</u>	<u>(17,057)</u>
<u>-</u>	<u>(15,506)</u>	<u>(15,506)</u>
<u>(100,181)</u>	<u>(15,506)</u>	<u>(115,687)</u>
10,902	-	10,902
3,848	-	3,848
55,915	-	55,915
18,604	-	18,604
1,470	-	1,470
3,885	4,468	8,353
<u>13,092</u>	<u>-</u>	<u>13,092</u>
<u>107,716</u>	<u>4,468</u>	<u>112,184</u>
7,535	(11,038)	(3,503)
<u>703,521</u>	<u>1,210,513</u>	<u>1,914,034</u>
<u>\$ 711,056</u>	<u>\$ 1,199,475</u>	<u>\$ 1,910,531</u>

TOWN OF HINCKLEY, UTAH

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2005

	Governmental-type Activities
	<u>General</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 123,997
Restricted Cash	81,400
Accounts Receivable	3,146
Taxes Receivable	14,370
Class C Road Receivable	10,630
Water Shares	<u>125</u>
TOTAL CURRENT ASSETS	<u>233,668</u>
TOTAL ASSETS	<u>\$ 233,668</u>
<u>LIABILITIES AND FUND EQUITY</u>	
LIABILITIES	
Accounts Payable	\$ 11,172
Compensated Absences	890
Deferred Revenue	<u>9,913</u>
TOTAL LIABILITIES	<u>21,975</u>
FUND BALANCE	
Designated	
Youth City Council	2,201
Special Fire District	6,670
Reserved	
Class C Roads	56,235
Unreserved	<u>146,587</u>
TOTAL FUND EQUITY	<u>211,693</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 233,668</u>

See the accompanying notes to the financial statements

TOWN OF HINCKLEY, UTAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

TOTAL GOVERNMENTAL FUNDS BALANCES **\$** **211,693**

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds **489,586**

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds **9,913**

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds **(136)**

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$** **711,056**

See the accompanying notes to the financial statements

TOWN OF HINCKLEY, UTAH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	<u>Governmental-type Activities</u>
	<u>General</u>
<u>REVENUES</u>	
Taxes	\$ 90,866
Licenses and Permits	4,084
Intergovernmental	61,424
Charges for Services	44,673
Interest	3,885
Miscellaneous	<u>13,092</u>
 TOTAL REVENUES	 <u>218,024</u>
 <u>EXPENDITURES</u>	
General Government	70,509
Solid Waste	26,404
Public Safety	21,610
Streets	36,830
Parks and Recreation	<u>20,732</u>
 TOTAL EXPENDITURES	 <u>176,085</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 41,939
 BEGINNING FUND BALANCE	 <u>169,754</u>
 ENDING FUND BALANCE	 <u>\$ 211,693</u>

See the accompanying notes to the financial statements

TOWN OF HINCKLEY, UTAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS** **\$ 41,939**

*Amounts reported for governmental activities in the statement of activities
are different because*

Property taxes will not be collected for several months after the City's
fiscal year end. They are not considered to be available revenues in
the governmental funds. Deferred property tax revenues decreased
by this amount this year. (127)

Governmental funds report capital outlays as expenditures. In the
statement of activities the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount
by which capital outlays exceeded depreciation in the current period. (34,754)

Some revenues and expenses reported in the statement of activities do
not add to or required the use of current financial resources and, therefore,
are not reported as revenues or expenditures in the governmental funds. 477

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS **\$ 7,535**

See the accompanying notes to the financial statements

TOWN OF HINCKLEY, UTAH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 74,200	\$ 75,850	\$ 90,866	\$ 15,016
Licenses and Permits	4,100	4,100	4,084	(16)
Intergovernmental	64,950	64,950	61,424	(3,526)
Charges for Services	52,240	50,590	44,673	(5,917)
Interest	2,200	2,200	3,885	1,685
Miscellaneous	1,000	1,000	13,092	12,092
TOTAL REVENUES	<u>198,690</u>	<u>198,690</u>	<u>218,024</u>	<u>19,334</u>
<u>EXPENDITURES</u>				
General Government	77,326	77,326	70,509	6,817
Solid Waste	28,320	28,320	26,404	1,916
Public Safety	26,900	26,900	21,610	5,290
Streets	104,865	104,865	36,830	68,035
Parks and Recreation	25,500	25,500	20,732	4,768
TOTAL EXPENDITURES	<u>262,911</u>	<u>262,911</u>	<u>176,085</u>	<u>86,826</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(64,221)	(64,221)	41,939	106,160
FUND BALANCE ALLOCATION	<u>64,221</u>	<u>64,221</u>	-	<u>(64,221)</u>
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,939</u>	<u>\$ 41,939</u>

See the accompanying notes to the financial statements

TOWN OF HINCKLEY, UTAH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
			Total
	Water	Sewer	Enterprise Funds
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 204,284	\$ 44,054	248,338
Accounts Receivable	10,930	5,196	16,126
TOTAL CURRENT ASSETS	215,214	49,250	264,464
NONCURRENT ASSETS			
Capital Assets			
Land	206,000	-	206,000
Improvements	978,741	875,517	1,854,258
Machinery and Equipment	31,679	14,759	46,438
Less Accumulated Depreciation	(644,668)	(512,634)	(1,157,302)
TOTAL NONCURRENT ASSETS	571,752	377,642	949,394
TOTAL ASSETS	786,966	426,892	1,213,858
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts Payable	9,540	4,843	14,383
TOTAL CURRENT LIABILITIES	9,540	4,843	14,383
TOTAL LIABILITIES	9,540	4,843	14,383
<u>NET ASSETS</u>			
Investment in Capital Assets,			
Net of Related Debt	571,752	377,642	949,394
Unrestricted	205,674	44,407	250,081
TOTAL NET ASSETS	\$ 777,426	\$ 422,049	\$ 1,199,475

See the accompanying notes to the financial statements

TOWN OF HINCKLEY, UTAH

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
			Total Enterprise Funds
	<u>Water</u>	<u>Sewer</u>	
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 70,883	\$ 43,746	\$ 114,629
Connection Fees	3,000	1,000	4,000
Miscellaneous	50	-	50
	<u>73,933</u>	<u>44,746</u>	<u>118,679</u>
<u>OPERATING EXPENSES</u>			
Payroll and Benefits	16,660	20,282	36,942
Operation and Maintenance	34,431	18,197	52,628
Depreciation	21,291	23,324	44,615
	<u>72,382</u>	<u>61,803</u>	<u>134,185</u>
OPERATING INCOME	<u>1,551</u>	<u>(17,057)</u>	<u>(15,506)</u>
<u>NON-OPERATING REVENUES</u>			
Interest Income	3,074	1,394	4,468
	<u>3,074</u>	<u>1,394</u>	<u>4,468</u>
CHANGE IN NET ASSETS	4,625	(15,663)	(11,038)
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>772,801</u>	<u>437,712</u>	<u>1,210,513</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 777,426</u>	<u>\$ 422,049</u>	<u>\$ 1,199,475</u>

See the accompanying notes to the financial statements

TOWN OF HINCKLEY, UTAH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers	\$ 73,723	\$ 44,247	\$ 117,970
Payments to Suppliers	(25,447)	(14,037)	(39,484)
Payments to Employees	(16,660)	(20,282)	(36,942)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>31,616</u>	<u>9,928</u>	<u>41,544</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition of Capital Assets	(2,736)	(1,436)	(4,172)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,736)</u>	<u>(1,436)</u>	<u>(4,172)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Income	<u>3,074</u>	<u>1,394</u>	<u>4,468</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>3,074</u>	<u>1,394</u>	<u>4,468</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	31,954	9,886	41,840
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>172,330</u>	<u>34,168</u>	<u>206,498</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 204,284</u>	<u>\$ 44,054</u>	<u>\$ 248,338</u>

See the accompanying notes to the financial statements

TOWN OF HINCKLEY, UTAH
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ 1,551	\$ (17,057)	\$ (15,506)
Adjustments			
Depreciation	21,291	23,324	44,615
Changes in Assets and Liabilities			
Accounts Receivable	(210)	(499)	(709)
Accounts Payable	<u>8,984</u>	<u>4,160</u>	<u>13,144</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 31,616</u>	<u>\$ 9,928</u>	<u>\$ 41,544</u>

See the accompanying notes to the financial statements

HINCKLEY TOWN, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Hinckley, Utah (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the Town's accounting policies.

Financial Reporting Entity

The Town of Hinckley is incorporated under the laws of the State of Utah. The Town is a municipal corporation governed by an elected four-member Council and Mayor. The Town provides municipal services under the following organizational structure:

General Government: Mayor and Town Council, Treasurer and Clerk

Public Safety: Police (under contract with Millard County), Fire and Animal Control

Public Works: Streets, Parks, Water, Sewer and Solid Waste

Recreation

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - (CONTINUED)

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the Town receives cash.

The Town reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The *water fund* accounts for the activities of the Town's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the Town's sewer treatment operations.

Activities of these two funds include administration, operations and maintenance of the water and sewer systems, and billing and collection. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 - (CONTINUED)

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. Town policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the Town's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

C. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and Structures	20-50 years
Improvements and Infrastructure	10-40 years
Machinery and Equipment	5-30 years

D. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of 2-4 hours per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 90 days of sick leave. Employees are not paid for accumulated unused sick leave at retirement.

NOTE 1 - (CONTINUED)

E. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the Town's management for specific purposes. These represent tentative management plans that are subject to change.

F. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Inter-Fund Transactions

During the course of normal operations, the Town has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc.. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2005 and unpaid from 2004 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

NOTE 2 - (CONTINUED)

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 174,000
Buildings and Structures	57,796
Improvements and Infrastructure	763,069
Machinery and Equipment	287,792
Less Accumulated Depreciation	<u>(793,071)</u>
Net Capital Asset Difference	\$ <u>489,586</u>

Other Long-Term Asset Differences

Property taxes due in November 2005 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2005	\$ <u>9,913</u>
---------------------------------------------	-----------------

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Long-Term Compensated Absences	\$ <u>(136)</u>
--------------------------------	-----------------

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 29,455
Depreciation Expense	<u>(64,209)</u>
Net Difference	\$ <u>(34,754)</u>

NOTE 2 - (CONTINUED)

Other Revenue and Expense Differences

The change in long-term compensated absences is not reported in the statement of revenues, expenditures and changes in fund balance. The change is reported in the statement of activities. The details of this difference are reported below:

Change in Long-Term Compensated Absences	\$ <u>477</u>
------------------------------------------	---------------

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the Town Council in May, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the Town Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the Town's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The Town Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

The annual budget for the general fund was legally adopted by the Town and is prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all Town funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the Town in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

NOTE 3 - (CONTINUED)

Sales taxes are collected by the Utah State Tax Commission and remitted to the Town monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the Town.

Franchise taxes are charged to various utility companies doing business with the Town including telephone and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the Town at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the Town's funds. Deposits are not collateralized nor are they required to be by State statute.

The Town follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Town and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Deposits

At June 30, 2005, the carrying amount and the bank balance of the Town's bank deposits was \$82,452 and \$82,669, respectively. These deposits were fully covered by federal depository insurance.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

NOTE 4 - (CONTINUED)

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

As of June 30, 2005, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund	\$ 371,283	\$ 371,283	\$ -	\$ -	\$ -

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 82,452
Investments	<u>371,283</u>
Total	<u>\$ 453,735</u>
Cash and Cash Equivalents	\$ 372,335
Restricted Cash and Cash Equivalents	<u>81,400</u>
Total	<u>\$ 453,735</u>

NOTE 5 - RECEIVABLES

Property taxes are levied on January 1 of 2005, are due in November of 2005, and are budgeted for the 2005 fiscal year. Even though they are not intended to fund the 2005 fiscal year, they must be recognized as an asset because the Town has an enforceable claim to the revenue. The property taxes that have been remitted to the Town within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

NOTE 5 - (CONTINUED)

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the Town.

The following is a summary of receivables at June 30, 2005:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 3,146	\$ 16,126	\$ 19,272
Property Taxes Receivable	14,370	-	14,370
Class C Road Receivable	<u>10,630</u>	<u>-</u>	<u>10,630</u>
Total	<u>\$ 28,146</u>	<u>\$ 16,126</u>	<u>\$ 44,272</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2005.

<u>Governmental Activities</u>	<u>Balance</u>	<u>Beginning Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 174,000	\$ -	\$ -	\$ 174,000
Capital Assets being Depreciated				
Buildings and Structures	57,190	606	-	57,796
Improvements and Infrastructure	740,969	23,000	(900)	763,069
Machinery and Equipment	<u>281,565</u>	<u>6,227</u>	<u>-</u>	<u>287,792</u>
Total	1,253,724	29,833	(900)	1,282,657
Less Accumulated Depreciation	<u>(729,384)</u>	<u>(64,209)</u>	<u>522</u>	<u>(793,071)</u>
Governmental Activities Capital Assets, Net	<u>\$ 524,340</u>	<u>\$ (34,376)</u>	<u>\$ (378)</u>	<u>\$ 489,586</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2005.

<u>Business-type Activities</u>	<u>Balance</u>	<u>Beginning Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 206,000	\$ -	\$ -	\$ 206,000
Capital Assets being Depreciated				
Improvements and Infrastructure	1,852,994	1,264	-	1,854,258
Machinery and Equipment	<u>43,529</u>	<u>2,909</u>	<u>-</u>	<u>46,438</u>
Total	2,102,523	4,173	-	2,106,696
Less Accumulated Depreciation	<u>(1,112,686)</u>	<u>(44,616)</u>	<u>-</u>	<u>(1,157,302)</u>
Governmental Activities Capital Assets, Net	<u>\$ 989,837</u>	<u>\$ (40,443)</u>	<u>\$ -</u>	<u>\$ 949,394</u>

NOTE 6 - (CONTINUED)

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 5,744
Public Safety	9,641
Streets	47,267
Parks and Recreation	<u>1,557</u>
Total Depreciation Expense-Governmental Activities	\$ <u>64,209</u>
Business-type Activities	
Water	\$ 21,291
Sewer	<u>23,324</u>
Total Depreciation Expense-Business-type Activities	\$ <u>44,615</u>

NOTE 7 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of Town streets and roads. In addition, funds have been designated for various departments.

NOTE 8 - RETIREMENT PLANS

Plan Description

Hinckley Town contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental division, Noncontributory Retirement System, Hinckley Town is required to contribute 11.09% of plan members' annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Hinckley Town contributions to the Noncontributory Retirement System for June 30, 2005, 2004 and 2003 were \$2,445, \$2,701 and \$2,379 respectively. The contributions were equal to the required contributions for each year.

NOTE 9 - RISK MANAGEMENT

Hinckley Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is unable to obtain insurance to cover these risks at a cost it considers economically justifiable. The Town joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The Town pays an annual premium to ULGT for its insurance coverage. Settled claims from all risk types have not exceeded coverage in any of the past three fiscal years.

STATE LEGAL COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

November 4, 2005

**The Honorable Mayor
Members of the Town Council
Town of Hinckley, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund which collectively comprise the basic financial statements of the Town of Hinckley, Utah, for the year ended June 30, 2005 and have issued my report thereon dated November 4, 2005. As part of my audit, I have audited the Town of Hinckley's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

The Town also received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of the Town's financial statements.)

Fire Department Grant

My audit also included testwork on the Town's compliance with the following general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations**

**Class C Road Funds
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of the Town of Hinckley is responsible for the Town's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In my opinion, the Town of Hinckley, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.


Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 4, 2005

**Honorable Mayor
Members of the Town Council
Town of Hinckley, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund which collectively comprise the basic financial statements of the Town of Hinckley, Utah, as of and for the year ended June 30, 2005, and have issued my report thereon dated November 4, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Hinckley, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving internal control over financial reporting that I have reported to management in a separate letter dated November 4, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Town of Hinckley, Utah's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Audit Committee, the Town's management, others within the organization, and the Town Council and is not intended to be and should not be used by anyone other than these specified parties.

 CPA
Greg Ogden,
Certified Public Accountant

TOWN OF HINCKLEY

MANAGEMENT LETTER
JUNE 30, 2005

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 4, 2005

The Honorable Mayor
Members of the Town Council
Town of Hinckley, Utah

Council Members:

The primary purpose of my audit of the basic financial statements of Hinckley Town, Utah for the year ended June 30, 2005, was to enable me to form an opinion as to the financial position of the Town at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the Town's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2005. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the Town's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Hinckley Town. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


Greg Ogden, CPA
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INTERNAL CONTROL FINDINGS

FINDING - UTILITY CASH CLEARING ACCOUNT IS OUT OF BALANCE EACH MONTH

The software used by the Town provides an account which is designed to ensure that the utility billing and collections balance each month. The balance of this account should be zero each month. During the fiscal year, the account was out of balance each month.

RECOMMENDATION

I recommend working with your software provider to determine the reason for this account not balancing.

RESPONSE - HINCKLEY TOWN

We are working with Caselle to resolve prior differences and to ensure there are not future differences.